

June 2002

CEEBIC Holds Open House and Reaches Out to U.S. Companies

by Leah Markowitz, CEEBIC

CEEBIC held three events for the U.S. business community on April 18, 2002, at the U.S. Department of Commerce in Washington, DC. More than 200 U.S. companies traveled from around the country to attend these events, which included individual meetings, a seminar on European Union (EU) accession, and an open house and reception. The daylong event gave U.S. business representatives the unique opportunity to meet with CEEBIC's U.S. and overseas trade specialists for 15 Central and Eastern European countries (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, FR Yugoslavia, FYR Macedonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic, and Slovenia).

The morning session consisted of one-on-one meetings between the CEEBIC Washington and overseas staffs and the U.S. business community. The CEEBIC staff had over 100 individual appointments with U.S. firms to counsel them on commercial opportunities in Central and Eastern Europe.

The afternoon session offered a seminar on EU accession. Deputy Secretary of Commerce Samuel Bodman and Acting Deputy Assistant Secretary of Commerce for Europe Susanne Lotarski presented the Department of Commerce's new EU accession task force. The task force outlined the benefits and barriers of EU enlargement for U.S. companies,

including topics such as export and investment opportunities in the accession candidate countries, safety standards and product certification in the region, and the changing nature of European business risk. The EU task force also unveiled its new hotline, (202) 482-9090, housed at CEEBIC and designed to help U.S. companies identify emerging opportunities in the accession countries, as well as to help U.S. businesses interpret commercial changes in the region.

The afternoon culminated in the CEEBIC open house and reception, which more than 175 companies attended. This event was a rare occasion to network with U.S. government officials, representatives of Central and Eastern European embassies and trade offices, members of trade associations, and U.S. companies active in Central and Eastern Europe. The CEEBIC staff also launched its new Web site, www.export.gov/ceebic, at the reception.

If you missed CEEBIC's open house on April 18, please visit CEEBIC's virtual open house tour. The Web site tour contains the following: information available at the open house on each of the 15 Central and Eastern European countries, an overview of the EU accession seminar, and highlights and snapshots of all the events. Clips of the speakers' presentations at the EU accession seminar and the reception may be found at www.export.gov/ceebic.

Inside this Issue...

Eye on Southeast Europe	2
Commercial Opportunities	5
Calendar of Events	7

Eye on Southeast Europe

Update on the Bulgarian Business Climate

by Leah Markowitz, CEEBIC

Recent changes in Bulgarian tax and privatization laws have improved prospects for investing in Bulgaria. Reforms of the 1992 privatization legislation took effect in early March 2002 and focus on privatizing remaining state-owned assets, deregulating natural monopolies (such as the energy and telecommunications sectors), and increasing the transparency of privatization ventures. The primary goal—privatization of infrastructure—is to be completed by the end of the year. Privatization in this sphere includes sales of hydroelectric and thermal power plants, regional electric utilities, individual and auxiliary entities within Kozloduy Nuclear Power Station, coal mines, and heating facilities. In addition, privatization of self-contained companies, which operate under the aegis of the Bulgarian State Railways, will continue. Privatization efforts will also tackle many other state-owned enterprises, including the tobacco monopoly Bulgartabac.

The Bulgarian government believes the new privatization legislation will provide increased transparency and public control throughout the privatization process. Fast-track tender and competitive bidding procedures will be clearly outlined and regulated. These factors will help decrease the potential for corruption in privatization. In addition, tax reforms, including the elimination of the capital-gains tax, a reduction of profit tax, simplification of the value-added tax, and the elimination of profit tax for the information-technology sector, will contribute to a better environment for private-sector growth.

The Bulgarian government hopes that by focusing on privatization and tax reforms, foreign investors will be encouraged to participate more aggressively in Bulgarian projects. The results so far seem to support this goal. As of May 31, 2002, 4,824 privatization sales of state-owned assets had been signed, meaning that 79.8 percent of the assets subject to privatization have now been privatized. Of the signed deals, 157 were made with foreign investors. Particular attention is being paid to guarantee protection of

foreign investors from restrictive regulatory policies as well as protection of their right to repatriate profits.

As a whole, reports indicate that Bulgaria's economy is improving. The International Monetary Fund issued a positive statement on Bulgaria's economic growth and achievements in May 2002, and it suggested that Bulgaria's economic performance would be above the regional average. The European Bank for Reconstruction and Development also issued an upbeat prognosis of the Bulgarian investment climate, particularly with regard to tax reforms. Gross domestic product (GDP) and output growth figures suggest that some of the economic improvement is due to the increased activity in the private sector. Over 20 percent of GDP stemmed from investment projects in 2001, both foreign and domestic. Of the total foreign direct investment in Bulgaria from 1992 to 2001, 32 percent consisted of investments made through privatization deals. In 2001, GDP grew 4 percent. Additionally, Bulgaria has opened all negotiation chapters with the European Union, and it has already closed more than half of them.

The United States has played a special role in Bulgaria's burgeoning international economic relations. In early May 2002, officials from the Bulgarian government visited Washington, DC, to discuss upcoming privatization projects. CEEBIC hosted a briefing on May 7, which featured Nikolay Vassilev, Bulgaria's deputy prime minister and minister of economic affairs; Milko Kovachev, minister of energy and energy resources; and Ilija Vassilev Vassilev, deputy executive director of the Bulgarian Privatization Agency. Deputy Prime Minister Vassilev spoke about trade and investment opportunities for U.S. businesses in Bulgaria that are emerging with the new privatization framework. He stressed the Bulgarian government's priority of supporting economic reforms, a better business climate, and increased foreign investment.

With newly minted reforms, a growing economy, and eventual membership in the European Union, Bulgaria will

(Continued on page 3)

Bulgaria (Continued from page 2)

only continue to grow as a prime location for U.S. trade and investment. For more information on opportunities in Bulgaria, contact CEEBIC at (202) 482-2645 or e-mail ceebic@ita.doc.gov.

Useful Bulgaria Links

Foreign Investment Agency (www.bfia.org):

Established in 1995 as a one-stop shop for information for foreign investors.

Ministry of Economy (www.mi.government.bg):

Develops and implements state policy in industry, trade, tourism, and privatization. Provides information on Bulgaria's economy and recent initiatives.

Privatization Agency (www.priv.government.bg):

Established in 1992 as the independent state agency responsible for the sale of large, strategic state-owned enterprises.

New at CEEBICnet:
www.export.gov/ceebic

Forbes honored
CEEBICnet in its Spring
2002 "Best of the Web"
list of top Internet sites
for investing in Central
and Eastern Europe.
See *www.forbes.com/bow*
for other top picks.

Around the Region...

Bulgaria: 3G Licenses to be Issued in 2004

Bulgaria intends to award its first licenses for third-generation (3G) mobile telephones in the first half of 2004, if market conditions are favorable. The Bulgarian government approved an updated telecommunications strategy in June 2002. According to this strategy, Bulgaria is expected to secure frequency resources (for UMTS networks) by the middle of 2003, with the intention of licensing the first operators by mid-2004. The strategy did not state the number of licenses to be auctioned; Deputy Transportation and Communications Minister Nikolai Nikolov indicated that it would depend on the market. Nikolov said that the market could sustain two UMTS licenses. Currently, Bulgaria has two digital mobile telephone operators: MobilTel, owned by an Austrian consortium; and GloBul, owned by Greece's OTE. As an incentive to potential bidders, the cabinet has offered a third GSM license for up to 65 percent of the Bulgaria Telecommunications Company. Source: Europemedia.

Bulgaria: Government to Simplify Licensing Procedures

The Bulgarian government has decided to remove 74 licensing procedures and simplify 120 of the total 360 licensing procedures, according to Bulgaria's Deputy Prime Minister and Minister of Economic Affairs Nikolai Vassilev. The licensing procedures for the production of compact discs and weapons will remain in place. The licensing procedures will be modified in three ways: by reducing the requirements for starting a business; by switching from a licensing to a registration system; and by decreasing the scope of licensing. The Ministry of Agriculture will simplify or revoke 31 of its 62 licensing procedures, the Ministry of Health will simplify or revoke 25 of its 35, the Ministry of Economy will remove five and simplify nine of its 22 licensing procedures, and the Ministry of Transportation and Communications will revoke seven of its 19 processes. The process of simplifying licensing procedures will continue over the next several years. Source: PARI.

Slovenia: WTO Conducts First-Ever Trade Policy Review

The World Trade Organization (WTO) has conducted its first trade policy review of Slovenia. The trade policy review body is comprised of all WTO members. The WTO's chair deemed the review "excellent." Slovenia joined the WTO in 1995. Members agreed that Slovenia's trade and investment liberalization has been critical in maintaining macroeconomic stability and in creating a stable, fully functioning market economy. The WTO trade policy review body recommended that Slovenia pursue its

FR Yugoslavia: Member of MIGA

On April 11, 2002, FR Yugoslavia became a member of the Multilateral Investment Guarantee Agency (MIGA), part of the World Bank Group. MIGA encourages foreign domestic investment by providing investment guarantees to private investors against political risks in the host country. Source: Deutsche Presse-Agentur.

FYR Macedonia: Oil Pipeline Project with Greece

During the Forum for Southeast European Countries' Political and Economic Cooperation, in Thessaloniki, Greece, it was announced that Greek Prime Minister Constantinos Simitis and Macedonian Prime Minister Ljubco Georgievski have agreed to launch the Skopje-Thessaloniki oil pipeline project in June 2002. The project will cost approximately \$100 million. Georgios Moraitis, chairman of the board of directors of Greece's first pipeline linking Skopje's OKTA refinery with Kosovo and the second linking OKTA with Serbia. Financing is now being sought for the project. Source: RFE/RL.

Kosovo: Banks Increase Locations and Services

The governing board of the Banking and Payment Authority approved the creation of 13 new bank branches throughout Kosovo. One of the banks that will expand is the American Bank of Kosovo, which is funded by the United States Agency for International Development. The seven banks that operate in Kosovo will now have a total of 46 branches. In other banking news, the Micro-Enterprise Bank (MEB) inaugurated Kosovo's first automated teller machine on April 3, 2002. MEB has promised its customers that credit cards will be available by September 2002. Source: seeurope.net.

present path toward the liberalization of services, notably financial services, and of goods, especially in agriculture. WTO members were also interested in the development of public procurement procedures in Slovenia, with several countries encouraging Slovenia to quickly complete its accession to the WTO's Government Procurement Agreement. Members also sought further clarification on a number of specific areas including laws and regulations governing foreign direct investment; policies for doing business in Southeast Europe; privatization process, methods, and future plans, particularly for divesting key financial and telecommunications enterprises; and protection of intellectual property rights. Source: WTO.

Slovenia: Government Approves Sale of 34 Percent of Largest Bank

The Slovenian government approved the sale of a 34-percent stake in Slovenia's largest bank, Nova Ljubljanska Banka (NLB), to the Belgian bank KBC. According to Slovenian Finance Minister Anton Rop, the Belgian bank will pay 435 million euros (\$411.7 million) for the stake; the revenue from the sale will be used to lower Slovenia's public debt. KBC will have four representatives on NLB's new 11-member supervisory board, and one on the five-member management board, according to documents approved by the Slovenian government and KBC. The European Bank for Reconstruction and Development will choose one representative of the supervisory board. In 2006, KCB will have the opportunity to increase its stake; however, NLB shares will be floated on the stock market prior to 2006. Once KBC has obtained all the required permits for its stake in NLB, the privatization of NLB will enter a second phase, in which the bank will be supplied with fresh capital totaling 15 percent of its stock. The government expects to receive an additional 156 million euros (\$147.6 million) from the second phase of privatization. In 2001, NLB merged with three subsidiary banks and increased its total assets by 50.4 percent to 6.19 billion euros (\$5.86 billion), with its market share rising from 28 to 34 percent. In 2001, NLB's gross profit increased by 20 percent to 53 million euros (\$50 million). Source: *Slovenia Business Weekly*.

Central and Eastern Europe Commercial Opportunities

Lithuania

SS CJSC Kauno-vandenys has proposed several wastewater treatment projects in the city of Kaunas, the total estimate of which comes to 37.6 million euros. Tendering for the design of the water purification plant is expected to begin in the third quarter of 2002. This project will require the procurement of the following, including supply of equipment:

- Design and construction of a biological wastewater treatment plant
- Design of water supply and wastewater network
- Construction of water supply and wastewater network
- Design of water purification plant
- Construction of water purification plant

Contact:

D. Gudavicius
SS SJSC Kauno vandenys
Aukstaicio 43 3000
Kaunas
Lithuania
Tel: +370 (37) 301 888
Fax: +370 (37) 301 730

Latvia

ALIKS Ltd., a Latvian distributor, is seeking a U.S. supplier of designer clothing. The company is looking to import clothing under brand names such as Calvin Klein, Giorgio Armani, DKNY, Perry Ellis, Tommy Hilfiger, Ralph Lauren, Gucci, and Versace, and distribute it in the Baltic region (Latvia, Lithuania, and Estonia). The company's intention is to find wholesalers who can offer overstock of collections and/or outlets of these products and would be interested in exporting to the Baltic states.

Contact:

Janis Uzulnieks
ALIKS Ltd.
3 Tvaika Street
Riga
Latvia 1005
Tel: +371 (6) 805-111
Fax: +371 (7) 392-070

Romania

The Arad International Fair will be located close to Romania's border with Hungary. The fair's 10,000 square meters will be complemented by office buildings (700 square meters), a press and information center, warehousing facilities, service and maintenance shops, exhibit grounds, restaurants and food courts, a 160-room hotel, parking garages, entertainment areas, and bus terminals. The Arad Fair will become a center for economic development and European integration. The Arad International Fair will expand within an economic development zone, including an industrial park, the Curtici free trade zone, and the cargo terminal of Arad International Airport.

Contact:

Cristina Marine
CEEbic
Tel: (202) 482-3462
Fax: (202) 482-3898
E-mail: ceebic@ita.doc.gov

Located in northwest Romania, Satu Mare County shares Romania's borders with Hungary and Ukraine. The county council has initiated comprehensive urban and rural projects focused on urban development, expansion of the natural gas distribution network, the energy distribution network in rural areas, modernization of the water supply system, re-building of roads, and waste management. The council is opening tenders for existing projects and seeks co-investors to participate in PHARE-financed projects such as the development of health spas at Tasnad and Beltiug, cleaning up of the Tur River, development of the Satu Mare South Industrial Park, the railway crossing between DN 19A Petea—Hungary and DN 19, and the development of the tourist area at Luna Ses—Negresti Oas.

Contact:

Cristina Marine
CEEbic
Tel: (202) 482-3462
Fax: (202) 482-3898
E-mail: ceebic@ita.doc.gov

NEW! Coming Soon!

EU Accession Extras

In line with CEEBIC's aim (as part of the Department of Commerce's EU accession task force), to keep the U.S. business community abreast of the latest EU accession developments, *Commercial Update* will soon begin offering a new section, "EU Accession Extras." EU Accession Extras will provide updates on relevant laws, policies, speeches, and general information necessary to do business in the accession candidate countries of Central and Eastern Europe.

Sources of Finance for Southeast Europe

CEEBIC's Southeast Europe Task Force recently compiled a special section on its Web site for resources available to finance, fund, and insure business activities in Southeast Europe. Topics covered include:

- U.S. government-sponsored trade finance
- U.S. government-sponsored investment and project finance
- Multilateral institutions
- Funds backed by the U.S. government and multilateral institutions

Visit www.mac.doc.gov/ceebic/sourcesSE.html.

Calendar of Events

August

8/27–8/31 Dobrich Fair: Agriculture, Dobrich, Bulgaria
Main product groups: machines and equipment, stock breeding, seeds and sowing seeds, plant protection.

Further information:

Tel: +359 (58) 30 152

Fax: +359 (58) 46 283

E-mail: dobrich_fair@abv.bg

September

9/30–10/5 International Technical Fair, Plovdiv, Bulgaria
Special exhibitions:

Infotech: information technology; PC World: software, machine building; Eneco: power engineering and ecology; chemical industry; Stroytech—The City: construction and architecture; Autotech: transportation and auto service equipment; Eltech: electronics and electrical engineering.

Further information:

Tel: +359 (32) 902 346

Fax: +359 (32) 902 432

E-mail: e.marinova@fair-plovdiv.com

Web site: www.fair-plovdiv.com

October

10/1–10/5 American Catalog Show, FYR Macedonia
Product sectors: agricultural machinery and equipment, meat and dairy equipment, and veterinary equipment and supplies.

Further information:

Jennifer Gothard, CEEBIC

Tel: (202) 482-2645

Fax: (202) 482-3898

E-mail: ceebic@ita.doc.gov

10/2–10/6 International Fair, Kosovo

Further information:

Tel: +377 (44) 12 95 95, +377 (44) 233 156, +377 (44) 233 157

Fax: +1-661-825-9394

E-mail: panairi@yahoo.com

Web site: www.panairi.com

10/22–10/27 American Catalog Show, FYR Macedonia
Product sectors: electronic equipment and supplies, construction equipment, and metal production equipment.

Further information:

Jennifer Gothard, CEEBIC

Tel: (202) 482-2645

Fax: (202) 482-3898

E-mail: ceebic@ita.doc.gov

For a more complete list of events, go to CEEBICnet:
www.export.gov/ceebic.

This notice is provided solely as an informational resource and does not constitute U.S. Department of Commerce endorsement of these events. All information published in the Commercial Update regarding trade events is subject to change without notice by the organizers of those events.

Central and Eastern Europe Commercial Update

The *Central and Eastern Europe Commercial Update* is produced by the Central and Eastern Europe Business Information Center (CEEbIC). For more information or to subscribe, contact CEEbIC at tel. (202) 482-2645, fax (202) 482-3898, or email ceebic@ita.doc.gov.

Director: Jay Burgess
Associate Director: Jennifer Gothard
Editor: Michael Rogers

**International Trade
Specialists:** Andrea Lupo,
Cristina Marine,
Michael Rogers,
Silvia Savich, Leah
Markowitz

Webmaster: Gedlom Tesfazion
Intern: Rachel Wellhausen
Contributors: Jonathan Kimball,
Laurie Molnar,
Melissa Wilson

Sender CEEBIC
U.S.A. Trade Center
U.S. DEPARTMENT OF COMMERCE
Stop R-CEEBIC
Washington, D.C. 20230

PRESORTED
FIRST-CLASS MAIL
POSTAGE & FEES PAID
ITA/DOC
PERMIT No. G-54

OFFICIAL BUSINESS
Penalty for Private Use, \$300

